

**EXECUTIVE SUMMARY**  
**Toward Work Stability and Career Advancement—The Next Stage of Reform**  
*A White Paper Commissioned by the Wisconsin Department of Workforce Development*

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***Purpose of the paper.*** Earlier theories on welfare and work took a simplistic approach—people chose either welfare or work. Once on welfare they stayed on welfare; once off welfare, they became self-sufficient. Research and experience have enriched our understanding of the interaction between welfare use and work in the low-wage labor market. This white paper argues that preparing parents for employment and helping them secure their first job is just the beginning of the employment process. It is only when parents find job stability and are able to advance in their careers that permanent self-sufficiency is attained. This requires a work support strategy.

In many respects, Wisconsin has been putting together a work support system since the mid-1980s when passage of the Work Experience and Job Training legislation in 1986 anticipated the federal JOBS legislation by almost two years. By 1990, Kenosha County exploited the WEJT legislation to create the prototype for a one-stop, work-focused public assistance agency that became a national model. In the years that followed, Wisconsin explored key dimensions of work-based strategies through reform initiatives such as Children First, Work First, Self-Sufficiency First, Pay-For-Performance, and Work-Not-Welfare, among others.

The building blocks for a fully matured work support system have been introduced in recent years, including a refundable state Earned Income Tax Credit that is relatively generous for those larger families typically more vulnerable to poverty, a fully funded child care system for low-income working families, a child support system that passes through all collections regardless of the caretaker's welfare status, and BadgerCare, a program that facilitates access to health care for all low-income children and their parents. These building blocks are decoupled from welfare—access is conditioned on income but not welfare status—and therefore serve as complementary sources of support for low-wage families.

Although W-2 reinforces these work supports, the image of W-2 in many quarters is that of a tough, uncompromising job *placement* program. This white paper therefore develops a rationale for completing the evolution from a system of social assistance focused on nonworking poor families to a system designed to help working poor families. It lays out evidence and arguments concerning why this shift in perspective is critical and suggests issues to be addressed and steps to be taken.

***Context of the issue.*** Welfare reform in the 1990s transformed both the way we conceptualize and the way we operate social assistance for families with children in the United States. The most obvious evidence of qualitative change has been the dramatic decline in the use of welfare cash assistance, with national AFDC/TANF caseloads falling by 50 percent since 1994. Moreover, this remarkable reduction in *dependency* appears to be associated with improving labor market outcomes among low-income families. The percentage of single mothers who worked at some time during the year rose from 57 percent in 1992 to 71 percent in 1999. Employment rates for single parents with incomes below 200 percent of the federal poverty line reached 80 percent in Wisconsin in 1999.

With caseloads down and employment up, the welfare reform challenge appears over. Arguably, such a conclusion is premature. Research and practice over the past two decades have enriched our understanding of the complex dynamics of life at the lower end of the income distribution. Perhaps 70 percent of new entrants to the old AFDC program left within two years, but the majority of those leavers returned to assistance. Only a minority of leavers stayed continuously off AFDC, and only a minority of welfare entrants evidenced a continuous type of dependency.

Historically, the dynamics of the low-wage labor market have been equally challenging. Maria Cancian and Daniel Meyer of IRP recently found, using Wisconsin administrative data from the last days of the AFDC program, that few women leaving the old AFDC program in the mid-1990s worked full-year and full-time over the next five years. Not only has the labor force experience of former recipients of cash assistance been volatile

but the economic well-being of the many disadvantaged women deteriorated in the short run at least. The poorest mothers with children (the bottom 20 percent) saw their earnings increase in real terms by almost 40 percent between 1993 and 1998. But when corresponding losses in transfer benefits are considered, their total incomes fell by almost 10 percent on average between 1996 and 1998.

***The challenge before us.*** Work, particularly if it is full-time and full-year, indisputably remains the most promising route out of poverty. In 1998, 14.6 percent of all Americans were poor, according to a more comprehensive definition of poverty recommended by an expert panel of the National Academy of Sciences. Under this definition, the poverty rate for people in families with children was 16.2 percent; for people in full-time working families with children, 9.7 percent; for people in part-time working families, 54.4 percent; and for nonworking families with children, 74.2 percent. Reliance on cash welfare, on the other hand, was almost a certain sentence to family poverty. At the demise of AFDC, the guarantee in a typical state was less than 40 percent of the federal poverty threshold.

Still, a job is not always the panacea for poverty that policymakers seek, particularly for those families which, for a variety of reasons, fail to command decent compensation. Work in the low-wage labor market is often capricious, fraught with challenges, and on occasion unrewarding, especially for those with the lowest skills and with tenuous attachments to the labor market. For low-skilled entrants to the labor market, initial acculturation or adaptation to the world of work can be fragile. Nor is continuity in the labor market guaranteed to those successfully entering the world of work. They may lack necessary soft skills, essential supports such as child care and transportation arrangements may fall apart, intrafamily crises may intrude, or jobs may simply disappear.

The next generation of programs will complete Wisconsin's evolution from a job placement program to a work-support system. To help parents find stable work and advance in the workforce, the state will have to determine how case management, peer mentoring, crisis intervention, human capital enhancements, and other work supports can be blended into a coherent package of opportunities that will complete the transformation from social assistance as a substitute for work to social assistance as a place to start on a career. The early success of W-2 in moving low-income family heads into the labor market provides the foundation for the state to strengthen and consolidate its work support initiatives, thus bringing work stability and career advancement into clear and compelling focus as a salient purpose of W-2.

***A framework for proceeding.*** Moving toward a mature work support system requires that we recognize the challenges faced by many newer low-income entrants into the labor market. These challenges include dealing with relationship problems on the job or created by getting a job, personal barriers (health and family issues), lack of social networks, hard (vocational) and soft (behavioral) skill deficits, logistical issues (child care and transportation breakdowns), and problems inherent to the secondary labor market (job instability, poor pay, and few benefits). Thinking broadly, the challenges include the following: *for those working little or not at all, promote labor market attachment; for those working intermittently, promote employment stability; and for those working steadily but with low earnings and few benefits, promote career advancement.*

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| <i>Signaling</i> | ⇒ | <i>Job Preparation</i> | ⇒ | <i>Job Entry</i> | ⇒ | <i>Job Stability</i> | ⇒ | <i>Job Advancement</i> |
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The work support network of the future will clearly signal a new and broadened mission to the low-income population. It will help new workers find stability in their labor market experience through a coordinated set of policies and programs designed to ameliorate barriers, ensure access to critical transitional supports (e.g., child care), facilitate access to employment services designed to develop soft and hard skills, and link low-income workers to earnings supplements like the Earned Income Tax Credit. The white paper does not lay out a prescriptive model for the state, although it does provide an overview of many options and programs being tried in other locations. Rather, it suggests that the state make job stability and career advancement explicit policy goals and further encourage local innovation toward achieving those goals.